

Message Text

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PAGE 01 CARACA 13375 241257Z

44

ACTION ARA-10

INFO OCT-01 ISO-00 IO-10 CIAE-00 DODE-00 PM-04 H-02 INR-07

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R 232121Z DEC 75

FM AMEMBASSY CARACAS

TO SECSTATE WASHDC 1345

INFO AMEMBASSY BOGOTA

AMEMBASSY LA PAZ

AMEMBASSY LIMA

AMEMBASSY QUITO

AMEMBASSY SANTIAGO

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E.O. 11652: N/A

TAGS: ECIN, VE

SUBJECT: IMPASSE IN ANDEAN PACT

1. SUMMARY - PRESIDENT CARLOS ANDRES PEREZ AND THE GOV ARE ENGAGED IN AN EFFORT TO RESOLVE A SERIOUS IMPASSE IN THE ANDEAN COMMON MARKET (ANCOM) REGARDING POSTPONEMENT OF THE DECEMBER 31 DEADLINE FOR COMPLETION OF SECTORAL PROGRAMS AND THE COMMON EXTERNAL TARIFF. DETAILS OF AN AGREEMENT WITH PRESIDENT LOPEZ OF COLOMBIA HAVE NOT BEEN REVEALED, PENDING CONSULTATION WITH THE OTHER ANCOM COUNTRIES. END SUMMARY.

2. A CRISIS WITHIN THE ANDEAN PACT HAS BEEN BREWING FOR MANY MONTHS AS IT BECAME APPARENT THAT THE MEMBER COUNTRIES WOULD NOT BE ABLE TO COMPLY WITH IMPORTANT DEADLINES FOR COMPLETION OF INDUSTRIAL SECTOR PROGRAMS, APPROVAL OF THE COMMON EXTERNAL TARIFF, AND FOR ENTRY INTO EFFECT OF THE COMMON MINIMUM EXTERNAL TARIFF. ONLY TWO OF THE SECTORAL PROGRAMS - METAL-MECHANICAL INDUSTRY AND PETROCHEMICAL INDUSTRY - HAVE BEEN AGREED TO. THERE ARE SERIOUS DIFFER-

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PAGE 02 CARACA 13375 241257Z

ENCES REGARDING THE AUTOMOTIVE PROGRAM NOW UNDER NEGOTIA-

TION, AND LITTLE OR NO PROGRESS HAS BEEN MADE ON THE REMAINING SECTORAL PROGRAMS PLANNED. THE CRISIS CAME TO A HEAD EARLY THIS MONTH WHEN THE ANCOM MIXED COMMISSION FAILED TO RESOLVE THE PROBLEM AND SUSPENDED ITS SESSION UNTIL DECEMBER 26, PENDING HIGH-LEVEL CONSULTATIONS AMONG MEMBERS.

3. PRESIDENT PEREZ AND THE GOV WERE CONCERNED ESPECIALLY ABOUT STRONG CRITICISM EMANATING FROM THE COLOMBIAN PRIVATE SECTOR OF VENEZUELA'S ROLE IN ANDEAN PACT NEGOTIATIONS. ON DECEMBER 19 THE CARACAS PRESS REPORTED THAT THE COLOMBIAN NATIONAL ASSOCIATION OF INDUSTRIES (ANDI) HAD SENT A MESSAGE TO PRESIDENT LOPEZ COMPLAINING OF A CLIMATE OF "GREAT CONFUSION" IN ANCOM. ACCORDING TO THE REPORT, VENEZUELA, PERU, ECUADOR AND BOLIVIA WERE ACCUSED BY ANDI OF ATTEMPTING TO CONVERT ANCOM INTO AN INSIGNIFICANT ASSORTMENT OF BILATERAL SECTORAL AGREEMENTS OF VERY DOUBTFUL SCOPE. ACCORDING TO ANDI, ONLY COLOMBIA AND CHILE WERE DETERMINED TO RESPECT THE JURIDICAL INTEGRITY OF THE CARTAGENA AGREEMENT BY ADHERING TO THE DECEMBER 31 DEADLINES RESPECTING INDUSTRIAL SECTOR PLANS AND THE COMMON EXTERNAL TARIFF. MOREOVER, ANDI ACCUSED VENEZUELA OF ATTEMPTING TO USE ITS IMMENSE FINANCIAL RESOURCES TO EXPLOIT BOTH ITS OWN INDUSTRIAL ASSIGNMENTS AND THOSE OF ITS NEIGHBORS THROUGH "COPRODUCTION" AGREEMENTS.

4. IN A RECENT CONVERSATION WITH AN EMBASSY OFFICER, PEDRO CARMONA, DIRECTOR, DEPARTMENT OF ECONOMIC INTEGRATION OF THE GOV FOREIGN TRADE INSTITUTE (ICE), DENIED THAT THE IMPASSE IN ANCOM HAD REACHED A CRISIS STAGE. HE DESCRIBED THE CURRENT SITUATION AS A REASSESSMENT BY MEMBER COUNTRIES OF THEIR OBJECTIVES IN ANCOM. ACCORDING TO CARMONA, THE POSITION OF COLOMBIA AND CHILE IS BASED ON THEIR EMPHASIS ON ONLY ONE ASPECT OF ANCOM - TRADE LIBERALIZATION. HE BELIEVES THAT VENEZUELA AND THE OTHER ANCOM MEMBERS HAVE A MORE BALANCED VIEW OF THE ANDEAN PACT IN GIVING EQUAL EMPHASIS TO ITS OTHER FUNDAMENTAL ASPECTS - INDUSTRIAL PROGRAMMING AND HARMONIZATION OF ECONOMIC AND SOCIAL POLICIES. CARMONA CONFIRMED THAT THE CURRENT IMPASSE AROSE WHEN COLOMBIAN AND CHILEAN LIMITED OFFICIAL USE

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PAGE 03 CARACA 13375 241257Z

REPRESENTATIVES AT THE RECENT MIXED COMMISSION MEETING REFUSED TO GO ALONG WITH A PERUVIAN PROPOSAL TO POSTPONE THE DECEMBER 31 DEADLINES IN ORDER TO PERMIT PARALLEL PROGRESS IN ALL ASPECTS OF ANCOM. CARMONA BELIEVES THAT A POSTPONEMENT OF THE DEADLINES COULD BE ACCOMPLISHED BY AGREEMENT IN THE COMMISSION, WITHOUT THE NEED FOR RATIFICATION BY MEMBER GOVERNMENTS.

5. SENSING THE IMPORTANCE OF THE IMPASSE, PRESIDENT PEREZ ARRANGED A FRONTIER MEETING WITH PRESIDENT LOPEZ ON DECEMBER 21, APPARENTLY AFTER CONSULTING IN CARACAS WITH MEMBERS OF THE ANDEAN PACT JUNTA. AFTER THE MEETING PRESIDENT PEREZ CONFIRMED THAT HE AND PRESIDENT LOPEZ HAD APPROVED A DOCUMENT PROPOSING A SOLUTION TO THE ANCOM IMPASSE, BUT HE REFUSED TO DIVULGE ITS DETAILS PENDING CONSULTATION WITH THE OTHER MEMBER COUNTRIES. DR. REINALDO FIGUEREDO, ICE PRESIDENT, WAS REPORTED TO HAVE BEEN COMMISSIONED TO PRESENT THE DOCUMENT TO PRESIDENTS OF THE OTHER ANCOM COUNTRIES.

6. A LESS IMPORTANT BUT STILL DELICATE ISSUE HAD ARISEN OVER REPLACEMENT OF THE THREE-MAN ANCOM JUNTA. VENEZUELA HAS PROPOSED DR. JESUS ALBERTO FERNANDEZ, CURRENTLY DIRECOTR GENERAL OF THE ICE. HIS CHANCES OF ELECTION ARE REPORTED TO BE VERY GOOD, SINCE NO VENEZUELAN CITIZEN CURRENTLY OCCUPIES A HIGH-LEVEL PROFESSIONAL POSITION IN ANCOM.

7. COMMENT - VIEWED FROM CARACAS, THE CURRENT IMPASSE IN ANCOM HAS INDEED REACHED CRISIS PROPORTIONS, WARRANTING THE PERSONAL ATTENTION OF CARLOS ANDRES PEREZ AND OTHER ANDEAN HEADS OF STATE. A POSTPONEMENT OF THE DECEMBER 31 DEADLINES, APPARENTLY AGREED TO BY PRESIDENTS PEREZ AND LOPEZ, WILL POSTPONE THE DAY OF RECKONING BUT WILL NOT ASSURE RESOLUTION OF SIGNIFICANT DIFFERENCES AMONG ANDEAN PACT MEMBERS. VENEZUELA HAS PUSHED HARD IN ANCOM FOR ACCEPTANCE OF ITS STATIST VIEW OF DEVELOPMENT THROUGH INDUSTRIAL PROGRAMMING RATHER THAN BY INCREASED EXPOSURE TO MARKET FORCES THROUGH TRADE LIBERALIZATION. THE CURRENT PROBLEM REFLECTS VENEZUELA'S STRONG FEAR OF LOW-COST COMPETITION FROM COLOMBIA, AS WELL AS ANDI'S FEAR LIMITED OFFICIAL USE

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PAGE 04 CARACA 13375 241257Z

OF VENEZUELA'S ALLEGED ATTEMPT TO SEIZE THE LION'S SHARE OF INDUSTRIAL DEVELOPMENT PROGRAMS.
END COMMENT.
SHLAUDEMAM

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